

**ERWIN TOWNSHIP  
GOGEBIC COUNTY  
FINANCIAL REPORT  
With Supplemental Information**

**March 31, 2005**

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

|   |                            |   |  |                   |
|---|----------------------------|---|--|-------------------|
| Local Government Type<br><input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other |                            | Local Government Name<br>Erwin Township                 |  | County<br>Gogebic |
| Audit Date<br>3/31/2005   | Opinion Date<br>11/18/2005 | Date Accountant Report Submitted to State:<br>12/1/2005 |  |                   |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the report of comments and recommendations

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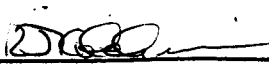
LOCAL AUDIT & FINANCE DIV.

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

|   | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   | x        |                 |              |
| Reports on individual federal financial assistance programs (program audits). |          |                 | x            |
| Single Audit Reports (ASLGU).   |          |                 | x            |

|   |                  |             |              |
|---|------------------|-------------|--------------|
| Certified Public Accountant (Firm Name)<br>Roger J. Kolehmainen PC  |                  |             |              |
| Street Address<br>1445 East Cloverland  | City<br>Ironwood | State<br>MI | ZIP<br>49938 |
| Accountant Signature<br> |                  |             |              |

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**Roger J. Kolehmainen CPA PC**  
1445 East Cloverland Drive  
Ironwood, MI 49938  
(906) 932-3600

## INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board  
Erwin Township  
Ironwood, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Erwin Township as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis in our opinion.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Erwin Township as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A to the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – For State and Local Governments* of April 1, 2004.

The management's discussion and analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting and Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements of the Erwin Township, Ironwood, Michigan, taken as a whole. The combining and individual fund financial statements listed in the table of contents under supplemental information are presented for the purpose of additional analysis and are not a required part of the financial statements of the Erwin Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 18, 2005, on our consideration of Erwin Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

  
Roger J. Kolehmainen PC  
Certified Public Accountant

Ironwood, Michigan  
November 18, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS ERWIN TOWNSHIP

Year ended March 31, 2005

### **Management's Discussion and Analysis**

This section of the Erwin's annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2005. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Government* and is intended to provide the financial results for the fiscal year ending March 31, 2005. This is the first year of GASB 34 implementation. As a result the financial report is presented very differently than previous years. Because this is the first year of implementation of GASB Statement No. 34, prior-year data is not available.

### **Government-wide Financial Statements**

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual basis of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities. All current year revenues and expenses are reported in the statement of activities. These are new statements that have not been required or provided in past years but are now required based on government auditing and accounting standards. The two statements report the governmental activities of the Township that include all services performed by the Township. These activities are funded mostly by State revenue sharing, property taxes and charges for services.

The statement of net assets, as stated previously, shows the Township's assets and liabilities. The corresponding balance between the amounts calculates the net assets or deficit of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the Township generally is. This shows if the Township will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net assets on revenue less expenditure basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township. Any deficiency of revenues over expenditures results in a deficit for the year that in turn reduces the net assets (or increases a deficit) of the Township.

## MANAGEMENT'S DISCUSSION AND ANALYSIS ERWIN TOWNSHIP

### **Fund Financial Statements**

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### **Governmental Funds**

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains a governmental fund which accounts for general fund activities. Information is presented in the government fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund (considered a major fund).

Individual fund data for the general fund is presented separately in the "Other Supplemental Information" section of this report.

The Township adopts an annual budget for its general fund. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general fund and is included in the "Required Supplemental Information" section of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
ERWIN TOWNSHIP

**Proprietary Fund**

Proprietary Fund provides accounting for debt service payments for a sewer system under assignment with the City of Ironwood. The City, in annexing certain lands within the Township, have assumed operating and maintenance of the entire sewer system owned by the Township. Upon payment of the revenue bonds, the City intends to assume ownership.

The Sewer Fund is presented in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the debt service cost be recovered primarily through intergovernmental charges.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefits of parties outside the government. The fiduciary fund for the Township is the Tax Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

**Notes to Financial Statements**

Notes to the financial statements are included in the financial statements, and provide additional information that is essential for a full understanding of the data provide in the government-wide and the fund financial statements.

**Government-wide Financial Statements-Condensed Financial Information**  
Statement of Net Assets

The following table shows the March 31, 2005, condensed statement of net assets with a detailed analysis of the statement below.

|                       | Governmental | Primary Government |           |
|-----------------------|--------------|--------------------|-----------|
| ASSETS                | Activities   | Business-Type      | Total     |
| Current Assets:       |              | Activities         |           |
| Cash and other assets | \$84,513     | \$7                | \$84,520  |
| Other assets          | 13,494       | 2,054              | 15,548    |
| Non-current Assets    |              |                    |           |
| Capital Assets, net   | 36,939       | 409,433            | 446,372   |
| TOTAL ASSETS          | \$134,946    | \$411,494          | \$546,440 |



MANAGEMENT'S DISCUSSION AND ANALYSIS  
ERWIN TOWNSHIP

|   | Governmental<br><u>Activities</u> | Primary Government<br>Business-Type<br><u>Activities</u> | <u>Total</u> |
|---|-----------------------------------|--|--------------|
| LIABILITIES   |                                   |  |              |
| Current Liabilities                                 | \$2,228                           | \$5,839  | \$8,067      |
| Non-current Liabilities                             |                                   | 35,000   | 35,000       |
| TOTAL LIABILITIES                                   | \$2,228                           | \$40,839   | \$43,067     |
| NET ASSETS  |                                   |  |              |
| Investment in capital assets<br>net of related debt | \$36,939                          | \$369,433  | \$406,372    |
| Restricted  | 1,288                             |  | 1,288        |
| Unrestricted  | 94,491                            | 1,222  | 95,713       |
| TOTAL NET ASSETS                                    | \$132,718                         | \$370,655  | \$503,373    |
| TOTAL LIABILITIES AND NET<br>ASSETS                 | \$134,946                         | \$181,254  | \$546,440    |

For governmental activities, net assets increased by \$31,355 during the fiscal year. For business-type activities, net assets increased by \$8,656 during the year.

### Results of Operations

The following represents the changes in net assets for both governmental and business-type activities for the year ended March 31, 2005.

|                            | Governmental<br><u>Activities</u> | Primary Government<br>Business-Type<br><u>Activities</u> | <u>Total</u> |
|----------------------------|-----------------------------------|--|--------------|
| REVENUES                   |                                   |  |              |
| Program Revenue:           |                                   |  |              |
| Charges for services       | \$4,110                           | \$   | \$4,110      |
| General Revenue:           |                                   |  |              |
| Property taxes             | 45,115                            |  | 45,115       |
| Other income               | 793                               | 7,248  | 8,041        |
| Unrestricted grants        | 32,954                            |  | 32,954       |
| Transfers from other funds |                                   |  |              |
| Total Revenue              | \$82,972                          | \$7,248  | \$90,220     |

MANAGEMENT'S DISCUSSION AND ANALYSIS  
ERWIN TOWNSHIP

|                                   | Governmental      | Primary Government |              |
|-----------------------------------|-------------------|--------------------|--------------|
| EXPENSES:                         | <u>Activities</u> | Business-Type      | <u>Total</u> |
|                                   |                   | <u>Activities</u>  |              |
| General Government                | \$37,272          |                    | \$37,272     |
| Public Safety                     | 5,678             |                    | 5,678        |
| Public Works                      | 6,942             |                    | 6,942        |
| Other Expenses                    | 1,725             |                    | 1,725        |
| Total Expenses                    | \$51,617          |                    | \$51,617     |
| Business-Type Activities:         |                   |                    |              |
| Sewer Expenses                    |                   | \$15,904           | \$15,904     |
| Increase (Decrease) in Net Assets | \$31,355          | (\$8,656)          | \$22,699     |
| Assets, Beginning of Year         | 101,363           | 379,311            | 480,674      |
| Net Assets, End of Year           | \$132,718         | \$370,655          | \$503,373    |

### Governmental Activities

Property taxes and other tax revenues comprise \$45,115 or approximately 54 percent of total governmental revenues. The Township also collected \$2,794 for services provided. And, at year end the Township reported \$32,954 in grants not restricted for specific purposes. This amount was due to revenue sharing from the State of Michigan and comprises 49 percent of total governmental revenues.

The Township expended \$88,556 on governmental programs and services. One of the largest expense items were for road improvements costing \$38,213.

### Business-Type Activities

Business-type activities decreased the Township's net assets by \$8,656.

### Financial Analysis of Governmental Funds

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirement.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
ERWIN TOWNSHIP

**Governmental Funds**

The focus of the Township's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. The Township's governmental fund reported an ending fund balances of \$95,779 of which \$1,288 is reserved and the remaining \$94,491 is available for spending at the government's discretion.

On the budgetary basis of accounting, the Township ended the year with revenues more than 13% than was budget and expenditures 20% less than the budgeted amount. Significant negative expenditure variances occurred in public works activities.

**Proprietary Fund**

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund as of March 31, 2005 were \$1,222.

**Capital Assets and Debt Administration**

The Township's investment in capital assets, net of accumulated depreciation for its business-type activities as of March 31, 2005 was \$409,433.

**Other Economic Factors and Next Years Budget**

**Economic Factors**

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state cuts will likely translate into strategic reductions of Township expenses to maintain a sound budget. Despite the poor outlook of the state's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families and maintain a safe and clean community in which to live.

**Request for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Erwin Township Supervisor  
E5358 West Pioneer Road  
Ironwood, MI 49938

ERWIN TOWNSHIP  
STATEMENT OF NET ASSETS  
March 31, 2005

|   | <u>Government<br/>Activities</u> | <u>Business – type<br/>Activities</u> | <u>Totals</u> |
|---|----------------------------------|---------------------------------------|---------------|
| <b>ASSETS</b>                                     |                                  |                                       |               |
| Current Assets:                                   |                                  |                                       |               |
| Cash and cash equivalents                         | \$84,513                         | \$7                                   | \$84,520      |
| Accounts receivable-net                           | 1,831                            |                                       | 1,831         |
| Delinquent taxes receivable                       | 6,586                            |                                       | 6,586         |
| Due from other funds                              | 2,877                            |                                       | 2,877         |
| Deferred charges                                  | 2,200                            |                                       | 2,200         |
| TOTAL CURRENT ASSETS                              | \$98,007                         | \$7                                   | \$98,014      |
| <b>NON-CURRENT ASSETS</b>                         |                                  |                                       |               |
| Capital assets                                    | 38,213                           | 539,978                               | 578,191       |
| Accumulated depreciation                          | (1,274)                          | (130,545)                             | (131,819)     |
| Bond issuance cost                                |                                  | 2,054                                 | 2,054         |
| TOTAL NON-CURRENT ASSETS                          | 36,939                           | 411,487                               | 448,426       |
| TOTAL ASSETS                                      | \$134,946                        | \$411,494                             | \$546,440     |
| <b>LIABILITIES</b>                                |                                  |                                       |               |
| Current Liabilities:                              |                                  |                                       |               |
| Accounts payable                                  | \$173                            | \$                                    | \$173         |
| Accrued wages/taxes                               | 2,055                            |                                       | 2,055         |
| Accrued interest payable                          |                                  | 839                                   | 839           |
| Current maturity on long-term debt                |                                  | 5,000                                 | 5,000         |
| TOTAL CURRENT LIABILITIES                         | \$2,228                          | \$5,839                               | \$8,067       |
| <b>NON-CURRENT LIABILITIES</b>                    |                                  |                                       |               |
| Bonds payable                                     |                                  | 40,000                                | 40,000        |
| Current maturity on long-term debt                |                                  | (5,000)                               | (5,000)       |
| TOTAL NON-CURRENT LIABILITIES                     |                                  | 35,000                                | 35,000        |
| TOTAL LIABILITIES                                 | \$2,228                          | \$40,839                              | \$43,067      |
| <b>NET ASSETS</b>                                 |                                  |                                       |               |
| Investment in capital assets, net of related debt | 36,939                           | \$369,433                             | \$406,372     |
| Reserve – Building inspection                     | 1,288                            |                                       | 1,288         |
| Unreserved  | 94,491                           | 1,222                                 | 95,713        |
| TOTAL NET ASSETS                                  | \$132,718                        | \$370,655                             | \$503,373     |
| TOTAL LIABILITIES AND NET ASSETS                  | \$134,946                        | \$411,494                             | \$546,440     |

The accompanying notes are an integral part of the financial statements

ERWIN TOWNSHIP  
STATEMENT OF ACTIVITIES  
Year Ended MARCH 31, 2005

| Functions/Programs                   | <u>Expenses</u>                    | <u>Program<br/>Revenues</u>           | Net (Expense)<br>Revenue |
|--------------------------------------|------------------------------------|---------------------------------------|--------------------------|
| Governmental Activities              |                                    |                                       |                          |
| General government                   | \$37,272                           | \$                                    | (\$37,272)               |
| Public safety                        | 5,678                              | 744                                   | (4,934)                  |
| Public works                         | 6,942                              | 3,366                                 | (3,576)                  |
| Other                                | 1,725                              |                                       | (1,725)                  |
| Total Governmental Activities        | \$51,617                           | \$4,110                               | (\$47,507)               |
| Business-type Activities             |                                    |                                       |                          |
| Sewer                                | \$15,904                           | 7,248                                 | (8,656)                  |
| Total Business – type Activities     | \$15,904                           | 7,248                                 | (8,656)                  |
| Total                                | \$67,521                           | \$11,358                              | (\$56,163)               |
| Changes in Net Assets                |                                    |                                       |                          |
|                                      | <u>Governmental<br/>Activities</u> | <u>Business – type<br/>Activities</u> | <u>Total</u>             |
| Net (Expense) Revenue                | (\$47,507)                         | (8,656)                               | (\$56,163)               |
| General Revenues:                    |                                    |                                       |                          |
| Property taxes                       | 45,115                             |                                       | 45,115                   |
| State-Shared revenues                | 32,954                             |                                       | 32,954                   |
| Investment income                    | 793                                |                                       | 793                      |
| Transfers                            |                                    |                                       |                          |
| Total General Revenues and Transfers | \$78,862                           |                                       | \$78,862                 |
| Changes in Net Assets                | \$31,355                           | (\$8,656)                             | \$22,699                 |
| Net Assets at Beginning of Year      | 101,363                            | 379,311                               | 480,674                  |
| Net Assets at End of Year            | \$132,718                          | \$370,655                             | \$503,373                |

The accompanying notes are an integral part of the financial statements.

ERWIN TOWNSHIP  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
March 31, 2005

General Fund

**ASSETS**

Current Assets:

|                             |          |
|-----------------------------|----------|
| Cash and cash equivalents   | \$84,513 |
| Accounts receivable-net     | 1,831    |
| Delinquent taxes receivable | 6,586    |
| Due from other funds        | 2,877    |
| Deferred charges            | 2,200    |

|                      |          |
|----------------------|----------|
| TOTAL CURRENT ASSETS | \$98,007 |
|----------------------|----------|

Non-current assets

|              |          |
|--------------|----------|
| TOTAL ASSETS | \$98,007 |
|--------------|----------|

**LIABILITIES**

Current Liabilities

|                     |       |
|---------------------|-------|
| Accounts payable    | \$173 |
| Accrued wages/taxes | 2,055 |

|                           |         |
|---------------------------|---------|
| TOTAL CURRENT LIABILITIES | \$2,228 |
|---------------------------|---------|

Non-current liabilities

|                   |         |
|-------------------|---------|
| TOTAL LIABILITIES | \$2,228 |
|-------------------|---------|

**FUND BALANCES**

|                               |        |
|-------------------------------|--------|
| Reserve – Building Inspection | 1,288  |
| Unreserved                    | 94,491 |

|                     |          |
|---------------------|----------|
| TOTAL FUND BALANCES | \$95,779 |
|---------------------|----------|

|                                     |          |
|-------------------------------------|----------|
| TOTAL LIABILITIES AND FUND BALANCES | \$98,007 |
|-------------------------------------|----------|

Amounts reported for governmental activities in the Statement of Net Assets are different because:

|   |          |
|---|----------|
| Total Fund Balance for Governmental Funds | \$95,779 |
|---|----------|

|  |        |
|--|--------|
| Capital assets used in governmental activities are not financial resources and<br>Therefore are not reported in the funds, net of accumulated depreciation | 36,939 |
|--|--------|

|                                       |           |
|---------------------------------------|-----------|
| NET ASSETS OF GOVERNMENTAL ACTIVITIES | \$132,718 |
|---------------------------------------|-----------|

The accompanying notes are an integral part of the financial statements.

ERWIN TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
Year ended March 31, 2005

**REVENUES:**

|                         |                |
|-------------------------|----------------|
| Taxes                   | \$35,688       |
| Other taxes             | 6,073          |
| Tax administrative fees | 3,354          |
| Licenses and permits    | 744            |
| State shared revenues   | 32,954         |
| Charges for services    | 2,050          |
| Interest                | 793            |
| Other revenue           | 1,316          |
|                         | <hr/> \$82,972 |

**EXPENDITURES**

|                    |                |
|--------------------|----------------|
| Legislative        | \$8,216        |
| General government | 29,056         |
| Public safety      | 5,678          |
| Public works       | 43,881         |
| Other              | 1,725          |
|                    | <hr/> \$88,556 |

|                                   |           |
|-----------------------------------|-----------|
| EXCESS OF REVENUES (EXPENDITURES) | (\$5,584) |
|-----------------------------------|-----------|

**OTHER FINANCING SOURCES (USES)**

|                               |       |
|-------------------------------|-------|
| Transfers to/from other funds | <hr/> |
|-------------------------------|-------|

|  |           |
|--|-----------|
| EXCESS OF REVENUES EXPENDITURES) AND OTHER<br>FINANCING USES | (\$5,584) |
|--|-----------|

|                           |               |
|---------------------------|---------------|
| Fund Balance at 3/31/2004 | <hr/> 101,363 |
|---------------------------|---------------|

|                                    |                             |
|------------------------------------|-----------------------------|
| <b>FUND BALANCE MARCH 31, 2005</b> | <hr/> <b>\$95,779</b> <hr/> |
|------------------------------------|-----------------------------|

The accompanying notes are an integral part of the financial statements

ERWIN TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
Year ended March 31, 2005

Continued

Reconciliation of the change in fund balances – Total Governmental Funds to the changes in net assets of governmental activities:

|  |           |
|--|-----------|
| Net change in fund balances – Total Governmental Funds | (\$5,584) |
|--|-----------|

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

|                                     |          |
|-------------------------------------|----------|
| Capital asset purchases capitalized | \$38,213 |
| Depreciation expense                | (1,274)  |

|   |                 |
|---|-----------------|
| Change in Net Assets of Governmental Activities | <u>\$31,355</u> |
|---|-----------------|

The accompanying notes are an integral part of the financial statements



ERWIN TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE- BUDGET TO ACTUAL  
GENERAL FUND

Year ended March 31, 2005

|  | <b>Budgeted Amounts</b> |                        |                        | Variance                           |
|--|-------------------------|------------------------|------------------------|------------------------------------|
|  | <u>Original</u>         | <u>Final</u>           | <u>Actual Amounts</u>  | <u>Favorable<br/>(Unfavorable)</u> |
| <b>REVENUES</b>  |                         |                        |                        |                                    |
| Taxes  | \$32,400                | \$32,400               | \$35,688               | \$3,288                            |
| Other taxes  | 4,600                   | 4,600                  | 6,073                  | 1,473                              |
| Tax administrative fees                                      | 1,400                   | 1,400                  | 3,354                  | 1,954                              |
| State shared revenues  | 35,000                  | 35,000                 | 32,954                 | (2,046)                            |
| Charges for services   | 3,500                   | 3,500                  | 2,794                  | (706)                              |
| Interest   | 500                     | 500                    | 793                    | 293                                |
| Other revenue  | 1,500                   | 1,500                  | 1,316                  | (184)                              |
|  | <u>\$78,900</u>         | <u>\$78,900</u>        | <u>\$82,972</u>        | <u>\$4,072</u>                     |
| <b>EXPENDITURES</b>  |                         |                        |                        |                                    |
| Legislative  | \$8,720                 | \$8,720                | \$8,216                | \$504                              |
| General government   | 24,830                  | 24,830                 | 29,056                 | (4,226)                            |
| Public safety  | 6,450                   | 6,450                  | 5,678                  | 772                                |
| Public works   | 65,300                  | 65,300                 | 43,881                 | 21,419                             |
| Other  | 5,500                   | 5,500                  | 1,725                  | 3,775                              |
|  | <u>\$110,800</u>        | <u>\$110,800</u>       | <u>\$88,556</u>        | <u>\$22,244</u>                    |
| EXCESS OF REVENUES (EXPENDITURES)                            | (31,900)                | (31,900)               | (5,584)                | 26,316                             |
| OTHER FINANCING SOURCES (USES)                               |                         |                        |                        |                                    |
| Transfers to/from other funds                                |                         |                        |                        |                                    |
| EXCESS OF REVENUES EXPENDITURES)<br>AND OTHER FINANCING USES | (\$31,900)              | (\$31,900)             | (\$5,584)              | \$26,316                           |
| Fund Balance at 3/31/2004                                    | 101,363                 | 101,363                | 101,363                |                                    |
| <b>FUND BALANCE MARCH 31, 2005</b>                           | <u><b>\$69,463</b></u>  | <u><b>\$69,463</b></u> | <u><b>\$95,779</b></u> | <u><b>\$26,316</b></u>             |

The accompanying notes are an integral part of the financial statements.

ERWIN TOWNSHIP  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
March 31, 2005

|   | <u>Totals</u>           |
|---|-------------------------|
| <b>ASSETS</b>                                     |                         |
| CURRENT ASSETS:                                   |                         |
| Cash and cash equivalents                         | \$7                     |
| Accounts receivable-net                           |                         |
| Total Current Assets                              | <u>\$7</u>              |
| NONCURRENT ASSETS:                                |                         |
| Property, plant and equipment                     | 539,978                 |
| Accumulated depreciation                          | (130,545)               |
| Bond issuance costs                               | 2,054                   |
| Total Non-Current Assets                          | <u>411,487</u>          |
| <b>TOTAL ASSETS</b>                               | <u><b>\$411,494</b></u> |
| <b>LIABILITIES AND NET ASSETS</b>                 |                         |
| CURRENT LIABILITIES:                              |                         |
| Accounts payable                                  | \$                      |
| Accrued interest payable                          | 839                     |
| Current maturity on long-term debt                | 5,000                   |
| Total Current Liabilities                         | <u>\$5,839</u>          |
| LONG TERM LIABILITIES                             |                         |
| Revenue bonds payable                             | 40,000                  |
| Less current maturity on long-term debt           | (5,000)                 |
| TOTAL LIABILITIES                                 | <u>40,839</u>           |
| NET ASSETS:                                       |                         |
| Investment in capital assets, net of related debt | 369,433                 |
| Unreserved  | 1,222                   |
| TOTAL NET ASSETS                                  | <u>\$370,655</u>        |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>           | <u><b>\$411,494</b></u> |

The accompanying notes are an integral part of the financial statements.

ERWIN TOWNSHIP  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN  
NET ASSETS - PROPRIETARY FUNDS TYPE  
Year ended March 31, 2005

| Business type Activities - Enterprise Fund |                          |
|--|--------------------------|
|  | <b><u>Total</u></b>      |
| <b>Operating revenues:</b>                 |                          |
| Charges for services                       | \$                       |
|  | Total Operating Revenues |
|  | \$                       |
| <b>Operating expenses:</b>                 |                          |
| Provision for depreciation                 | \$13,499                 |
|  | Total Operating Expenses |
|  | \$13,499                 |
|  | Operating income (loss)  |
|  | (\$13,499)               |
| Non-operating revenues (expenses)          |                          |
| Debt retirement payments reimbursed        | 7,248                    |
| Bond amortization                          | (254)                    |
| Bond interest expense                      | (2,151)                  |
| <b>Net Income (loss) before Transfers</b>  | (\$8,656)                |
| Change in Net Assets                       | (\$8,656)                |
| Net Assets - March 31, 2004                | 379,311                  |
| <b>NET ASSETS - MARCH 31, 2005</b>         | <b>\$370,655</b>         |

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS TYPES  
 ERWIN TOWNSHIP  
 Year ended March 31, 2005

| Business type Activities - Enterprise Fund  |               |
|---|---------------|
|   | <u>Totals</u> |
| Cash flows from operating activities:   |               |
| Income from operations  | (\$13,499)    |
| Adjustments to reconcile income<br>from operations to net cash<br>Provided by operating activities: |               |
| Depreciation  | 13,499        |
| Increase (decrease) in:   |               |
| Accrued interest payable  | (97)          |
| Total adjustments   | 13,402        |
| Net Cash Provided by Operating Activities   | (\$97)        |
| Cash flows from capital and related Financing activities:   |               |
| Bond and debt retirement proceeds   | 7,248         |
| Revenue bonds principal paid  | (5,000)       |
| Bond interest paid  | (2,151)       |
| Net cash provided (used) for capital and related financing<br>activities                            | \$97          |
| Cash flows from investment activities:  |               |
| Interest income   | \$            |
| Net increase (decrease) in cash and cash equivalents  | \$            |
| Cash and Cash Equivalents, March 31, 2004   | 7             |
| <b>Cash and Cash Equivalents, March 31, 2005</b>  | <b>\$7</b>    |

The accompanying notes are an integral part of the financial statements.

ERWIN TOWNSHIP  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
Year ended March 31, 2005

|                                  |                   | Agency Fund         |
|----------------------------------|-------------------|---------------------|
|                                  |                   | <u>Tax<br/>Fund</u> |
| ASSETS                           |                   |                     |
| Cash and cash equivalents        |                   | \$10,492            |
| Due from other funds             |                   |                     |
|                                  | TOTAL ASSETS      | <u>\$10,492</u>     |
| LIABILITIES                      |                   |                     |
| Due to other funds               |                   | \$2,877             |
| Due to other units of government |                   | 7,615               |
|                                  | TOTAL LIABILITIES | <u>\$10,492</u>     |

The accompanying notes are an integral part of the financial statements

ERWIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

Erwin Township operates with an elected board of trustees, which includes a supervisor, clerk and treasurer. The Township provides to its residents, services in many areas including public safety, highways and streets, sanitation, culture and recreation, planning and zoning, and general administrative services.

The Township complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Township the option of electing to apply FASB pronouncements issued after November 30, 1989. The Township has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended March 31, 2005, the Township implemented the new financial reporting requirement of GASB Statement No. 34. As a result, an entirely new financial presentation format has been implemented.

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Local Unit (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has no component units.

Basis of Presentation

The Statement of Net Assets and Statement of Activities display information about the reporting as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for debt service payments being reimbursed.

ERWIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

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Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it's the primary operating fund of the Township or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds in that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

General Fund - is the primary operating fund of the Township and always classified as a major fund. . This fund is used to account for all financial resources except those legally or administratively required to be accounted for in another fund.

PROPRIETARY FUNDS

Enterprise Fund - Enterprise Fund reports sewer debt service payments which are financed through intergovernmental charges. The City of Ironwood intends on assuming ownership of the system once the revenue bonds have been retired. Currently the City provides all operating and maintenance oversight and bills the users of the system accordingly.

FIDUCIARY FUND TYPE (Not included in government-wide statements)

Agency Funds - These funds are used to account for taxes collected by the Township in a trustee capacity or as an agent for other governments and/or other funds. The funds are custodial in nature and do not involve measurement of results of operations.

ERWIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

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MAJOR AND NONMAJOR FUNDS

The governmental and enterprise funds of the Township are further classified as major funds as follows:

| <u>Fund</u>        | <u>Brief Description</u>  |
|--------------------|---|
| <u>MAJOR FUNDS</u> |   |
| 1. General         | See above for description.  |
| 2. Sewer           | Account for debt service payments<br>pertaining to sewer activities |

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the



ERWIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

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liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, debt service revenues are recognized when billed and expenses are recorded when the debt service is paid.

#### ASSETS, LIABILITIES, AND EQUITY

##### Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the Township. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

##### Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the government-wide financial statements. See Note E for details of interfund transactions, including receivables and payable at year-end.

ERWIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

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Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include delinquent property and tax administrative fees. Interest and investment earnings are recorded when accrued.

Fixed Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial individual cost of \$1,500 and \$100 and an estimated life in excess of two years for governmental funds and proprietary funds, respectively. All fixed assets are valued at historical costs except for donated fixed assets which were recorded at their estimated fair value at the date of donation. The Township, in adopting GASB 34, elects to recognize capital assets acquisitions for government funds costing \$1,500 or more as of April 1, 2004. The Township otherwise has not maintained a listing of government fund assets.

Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' statement of net assets. Depreciation has been provided over the useful lives using the straight-line method of depreciation.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

|                     |          |
|---------------------|----------|
| Utility Plant       | 40 Years |
| Infrastructure(ROW) | 15 Years |

ERWIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

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#### Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

#### Long-term Debt

All long-term debt to be repaid from business-type resources is reported as liabilities in the proprietary fund, statement of net assets. The long-term debt consists of revenue bonds.

#### Scope of Reporting Entity

In accordance with the provisions of the Governmental Accounting Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and components units, that are controlled by or dependent on the Township's executive or legislative branches.

#### Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on the ensuing December 1. The Township bills and collects its own property taxes and also collects current rolls for the County and School District. The Township records delinquent real property taxes as revenue upon levy; since the County will sell tax notes and remits monies to the various units of government shortly after year end.

#### Budgets

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the proposed budget for each budgetary fund is submitted to the Township Board for consideration. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held at the annual Township Board meeting to obtain taxpayers comments.
3. Public hearings are held to obtain taxpayer comments.

ERWIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

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4. The budgets are adopted prior to the fiscal year by the majority vote of the Township Board.
5. The budgets are adopted on the accrual basis of accounting.
6. Any revisions to the budgeted amounts must be approved by a majority vote of the Township Board.
7. Budget appropriations lapse at the end of each fiscal year.
8. Budgeted amounts presented in the financial statements are as originally adopted and amended by the Township Board.

Formal budgets are not required for the operations of the Proprietary Fund types.

#### Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Proprietary Fund Type consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### Interest Expense

Interest on bonded indebtedness is recorded as expenditure as accrued.

#### Interest Receivables

Interest on investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

ERWIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

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Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

NOTE B – CASH AND INVESTMENT INFORMATION

The carrying amount of deposits is presented on the balance sheet as "Cash and Cash Equivalents".

Statutes authorize the Township to deposit cash in financial institutions covered by federal depository insurance and to invest in obligations of the United States Treasury, agencies and instrumentalities; commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services; United States government or agency obligation repurchase agreements; bankers' acceptances of United States banks; certain mutual funds and certain common stocks.

The carrying amount of the Township's deposits with one financial institution was \$95,012. All Townships' monies were insured by the FDIC and are in accordance with statutory authority.

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable and related allowances for uncollectible are as follows:

| <u>Fund</u>  | <u>Receivable</u> | <u>Allowance</u> | <u>Net</u> |
|--------------|-------------------|------------------|------------|
| General Fund | \$8,417           | \$               | \$8,417    |
| Sewer Fund   | \$3,295           | \$3,295          | \$         |

General Fund - generally consists of delinquent tax monies and administrative fees; and state shared revenues. The Sewer Fund (Proprietary Fund) was for connection fees which are considered uncollectible.

ERWIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

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NOTE D - SUMMARY OF 2004 TAX LEVY

Details of the Township's 2004 property tax levy are as follows:

|            | <u>Tax<br/>Levy</u> | <u>Delinquent<br/>Taxes</u> | <u>Net<br/>Collected</u> |
|------------|---------------------|-----------------------------|--------------------------|
| County     | \$82,364            | \$8,866                     | \$73,498                 |
| School/SET | 82,765              | 8,989                       | 73,776                   |
| Township   | 35,442              | 3,982                       | 31,460                   |
| CFR        | 6,843               |                             | 6,843                    |
| Totals     | <u>\$207,414</u>    | <u>\$21,837</u>             | <u>\$185,577</u>         |

Taxable valuation - (excluding commercial forest  
reserve lands):

|                   |                    |
|-------------------|--------------------|
| Real property     | \$3,807,551        |
| Personal property | <u>2,070,349</u>   |
|                   | <u>\$5,877,900</u> |

Tax rate per \$1,000 valuation:

|          |                   |
|----------|-------------------|
| Township | \$ 6.0208         |
| County   | 14.4113           |
| Schools  | <u>25.18</u>      |
|          | <u>\$ 45.6121</u> |

NOTE E - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at March 31, 2005, are as follows:

| <u>Funds</u>         | <u>Interfund<br/>Receivable</u> | <u>Funds</u>              | <u>Interfund<br/>Payable</u> |
|----------------------|---------------------------------|---------------------------|------------------------------|
| General-<br>Tax Fund | \$2,877                         | Tax Fund-<br>General Fund | \$2,877                      |

ERWIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

NOTE F – PROPERTY, PLANT AND EQUIPMENT

A summary of changes in the general fixed assets is as follows:

|                          | <u>3/31/2004</u> | <u>Additions</u> | <u>Deletions</u> | <u>3/31/2005</u> | Depreciable<br><u>Life</u> |
|--------------------------|------------------|------------------|------------------|------------------|----------------------------|
| Infrastructure Rights    | \$               | \$38,213         |                  | \$38,213         | 15 Years                   |
| Accumulated Depreciation |                  | (1,274)          |                  | (1,274)          |                            |
|                          | <u>\$</u>        | <u>\$36,939</u>  |                  | <u>\$36,939</u>  |                            |

Depreciation expense of \$1,274 was charged to Street and Highways, Public Works.

A summary of utility plant in service at March 31, 2005, follows:

|                          | <u>3/31/2004</u> | <u>Additions</u>  | <u>Deletions</u> | <u>3/31/2005</u> | Depreciable<br><u>Life</u> |
|--------------------------|------------------|-------------------|------------------|------------------|----------------------------|
| Utility Plant            | \$539,978        |                   |                  | \$539,978        | 40 Years                   |
| Accumulated Depreciation | (117,046)        | (\$13,499)        |                  | (130,545)        |                            |
| NET PLANT                | <u>\$422,932</u> | <u>(\$13,499)</u> | <u>\$</u>        | <u>\$409,433</u> |                            |

|                                |                 |
|--------------------------------|-----------------|
| Depreciation Expense 2004/2005 | <u>\$13,499</u> |
|--------------------------------|-----------------|

NOTE G - ACCOUNTS PAYABLE

The General Fund account payables were for normal expenditures.

NOTE H – SEWAGE DISPOSAL SYSTEM REVENUE BONDS – PROPRIETARY FUND

In 1997, the Township completed work on the Bonnie Sewer Project. The sewer project was financed by the issuance of Revenue Bonds totaling \$75,000 from Michigan Municipal Bond Authority and a grant of \$441,900.

ERWIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

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Data relative to the 1997 Sewage Disposable System Revenue Bonds at March 31, 2005:

Date of issue: August 14, 1997  
Amount of Original Issue: \$75,000  
Outstanding at March 31, 2005: \$40,000  
Interest Rates: 4.0% to 5.3%  
Interest Dates: May 1 and November 1  
Principal Payment Dated: November 1  
Payment on Principal during year ended March 31, 2005: \$5,000

The Township in addition to the revenue from the project pledges its limited tax full faith and credit for the prompt and timely payment of obligations. Bonds are subject to redemption prior to maturity.

On June 12, 2000, the City of Ironwood assumed the balance of \$65,000 in Revenue Bonds obligations of the Township in exchange for future ownership of sewage disposal system assets. The transfer will be accomplished once the outstanding Revenue Bonds have been satisfied. The City continues to provide sufficient funds to the Township as principal and interest payments become due. The City, in annexing certain lands within the Township, has assumed operating and maintenance responsibilities of the system under a contractual arrangement.

Debt service charges until maturity are as follows:

| <u>Year ended March 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u>    |
|-----------------------------|------------------|-----------------|-----------------|
| 2006                        | \$5,000          | \$2,013         | \$7,013         |
| 2007                        | 5,000            | 1,772           | 6,772           |
| 2008                        | 5,000            | 1,530           | 6,530           |
| 2009                        | 5,000            | 1,285           | 6,285           |
| 2010                        | 5,000            | 1,038           | 6,038           |
| 2011                        | 5,000            | 785             | 5,785           |
| 2012                        | 5,000            | 527             | 5,527           |
| 2013                        | 5,000            | 265             | 5,265           |
|                             | <u>\$40,000</u>  | <u>\$9,215</u>  | <u>\$49,215</u> |

The Township received net proceeds of \$70,944, which are net of issuance costs of \$4,056 which are capitalized as Bond Issuance Costs and are being expensed over the life of the bond issuance.



ERWIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

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NOTE I - CHANGES IN REVENUE BONDS DEBT

|               | Balance   | Additions  | Balance   |
|---------------|-----------|------------|-----------|
|               | 3/31/2004 | (Payments) | 3/31/2005 |
| Revenue Bonds | \$45,000  | (\$5,000)  | \$40,000  |

NOTE J - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Township provides sewage services. Segment information as of March 31, 2005, follows:

|                         |            |
|-------------------------|------------|
| Operating revenues      | \$         |
| Depreciation expense    | \$13,499   |
| Operating income (loss) | (\$13,499) |
| Increase (decrease) in  |            |
| Net Assets              | (\$8,656)  |
| Increase (decrease) in  |            |
| Fixed assets            | \$ 0       |
| Long-term debt payable  |            |
| From operating revenues | \$40,000   |
| Net assets              |            |
| Unreserved (deficit)    | \$1,222    |

NOTE K - RISK MANAGEMENT

The Township is exposed to various risks of losses related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$1,000,000 per occurrence and a \$3,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. Management estimates that the amount of actual or potential claims against the Township as of March 31, 2005, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

REQUIRED SUPPLEMENTAL  
FINANCIAL INFORMATION

ERWIN TOWNSHIP  
GENERAL FUND  
DETAIL OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL

Year ended March 31, 2005

| REVENUES   | BUDGETED AMOUNTS |                 | ACTUAL          | VARIANCE       |
|--|------------------|-----------------|-----------------|----------------|
|  | Original         | Final           |                 |                |
| Current property taxes                                   | \$32,400         | \$32,400        | \$35,688        | \$3,288        |
| PILT   | 3,000            | 3,000           | 4,770           | 1,770          |
| Commercial forest reserve                                | 1,600            | 1,600           | 947             | (653)          |
| Swamp taxes  |                  |                 | 356             | 356            |
| Tax administrative fees                                  | 1,400            | 1,400           | 3,354           | 1,954          |
| Total taxes  | \$38,400         | \$38,400        | \$45,115        | \$6,715        |
| State shared revenues                                    | 35,000           | 35,000          | 32,954          | (2,046)        |
| Charges for services                                     | 3,500            | 3,500           | 2,794           | (706)          |
| Reimbursements   | 1,500            | 1,500           |                 | (1,500)        |
| Miscellaneous  |                  |                 | 1,316           | 1,316          |
| Interest income  | 500              | 500             | 793             | 293            |
| TOTAL REVENUES   | \$78,900         | \$78,900        | \$82,972        | \$4,072        |
| Other financing sources-                                 |                  |                 |                 |                |
| Transfer from other funds                                |                  |                 |                 |                |
| <b>TOTAL REVENUES AND<br/>OTHER FINANCING<br/>SOURCE</b> | <b>\$78,900</b>  | <b>\$78,900</b> | <b>\$82,972</b> | <b>\$4,072</b> |

The accompanying notes are an integral part of the financial statements.

GENERAL FUND

DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET  
ERWIN TOWNSHIP

| Year ended March 31, 2005 |                         |                |                |                 |
|---------------------------|-------------------------|----------------|----------------|-----------------|
|                           | <u>BUDGETED AMOUNTS</u> |                | <u>ACTUAL</u>  | <u>VARIANCE</u> |
|                           | <u>Original</u>         | <u>Final</u>   |                |                 |
| <b>LEGISLATIVE</b>        |                         |                |                |                 |
| Township Board:           |                         |                |                |                 |
| Salaries                  |                         |                | \$1,530        |                 |
| Office supplies           |                         |                | 225            |                 |
| Contracted services       |                         |                | 137            |                 |
| Printing and publications |                         |                | 675            |                 |
| Insurance                 |                         |                | 4,564          |                 |
| Miscellaneous             |                         |                | 779            |                 |
| Memberships               |                         |                | 306            |                 |
| <b>TOTAL LEGISLATIVE</b>  | <b>\$8,720</b>          | <b>\$8,720</b> | <b>\$8,216</b> | <b>\$504</b>    |
|                           |                         |                |                |                 |
| SUPERVISOR                | \$4,050                 | \$4,050        | \$3,900        | \$150           |
| TOTAL ELECTION            | \$800                   | \$800          | \$1,053        | (\$253)         |
|                           |                         |                |                |                 |
| Clerk:                    |                         |                |                |                 |
| Salary                    |                         |                | \$3,150        |                 |
| Supplies                  |                         |                | 362            |                 |
| Transportation            |                         |                | 22             |                 |
| TOTAL CLERK               | \$3,450                 | \$3,450        | \$3,534        | (\$84)          |
| TOTAL BOARD OF REVIEW     | \$600                   | \$600          | \$330          | \$270           |
|                           |                         |                |                |                 |
| Treasurer:                |                         |                |                |                 |
| Salary                    |                         |                | \$5,030        |                 |
| Office supplies           |                         |                | 758            |                 |
| Contractual services      |                         |                | 1,971          |                 |
| Equipment                 |                         |                | 741            |                 |
| TOTAL TREASURER           | \$7,330                 | \$7,330        | \$8,500        | (\$1,170)       |

The accompanying notes are an integral part of the financial statements.

GENERAL FUND

DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET  
ERWIN TOWNSHIP

|                                 | Year ended March 31, 2005 |                 |                 |                  |
|---------------------------------|---------------------------|-----------------|-----------------|------------------|
|                                 | <u>BUDGETED AMOUNTS</u>   |                 | <u>ACTUAL</u>   | <u>VARIANCE</u>  |
|                                 | <u>Original</u>           | <u>Final</u>    |                 |                  |
| TOTAL ASSESSOR                  | \$3,500                   | \$3,500         | \$4,272         | (\$772)          |
| Township Property:              |                           |                 |                 |                  |
| Wages                           |                           |                 | \$2,928         |                  |
| Supplies                        |                           |                 | 73              |                  |
| Utilities                       |                           |                 | 3,001           |                  |
| Repairs and maintenance         |                           |                 | 987             |                  |
| Equipment                       |                           |                 | 478             |                  |
| TOTAL TOWN HALL                 | \$5,100                   | \$5,100         | \$7,467         | (\$2,367)        |
| <b>TOTAL GENERAL GOVERNMENT</b> | <b>\$24,830</b>           | <b>\$24,830</b> | <b>\$29,056</b> | <b>(\$4,226)</b> |
| INSPECTION COSTS                | \$850                     | \$850           | \$578           | \$272            |
| FIRE PROTECTION                 | \$5,000                   | \$5,000         | \$5,000         |                  |
| ZONING BOARD                    | \$600                     | \$600           | \$100           | \$500            |
| <b>TOTAL PUBLIC SAFETY</b>      | <b>\$6,450</b>            | <b>\$6,450</b>  | <b>\$5,678</b>  | <b>\$772</b>     |
| Highways and Streets:           |                           |                 |                 |                  |
| Street lights                   | \$300                     | \$300           | \$219           | \$81             |
| Street improvements             | 60,000                    | 60,000          | 38,213          | 21,787           |
| TOTAL ROADS AND STREETS         | \$60,300                  | \$60,300        | \$38,432        | \$21,868         |
| REFUSE COLLECTION               | \$5,000                   | \$5,000         | \$5,449         | (\$449)          |
| <b>TOTAL PUBLIC WORKS</b>       | <b>\$65,300</b>           | <b>\$65,300</b> | <b>\$43,881</b> | <b>\$21,419</b>  |

The accompanying notes are an integral part of the financial statements.

GENERAL FUND

DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET  
ERWIN TOWNSHIP

Year ended March 31, 2005

|       | <u>BUDGETED AMOUNTS</u> |              | <u>ACTUAL</u> | <u>VARIANCE</u> |
|-------|-------------------------|--------------|---------------|-----------------|
|       | <u>Original</u>         | <u>Final</u> |               |                 |
| OTHER | \$5,500                 | \$5,500      | \$1,725       | \$3,775         |

The accompanying notes are an integral part of the financial statements.

**Roger J. Kolehmainen PC CPA**  
1445 East Cloverland Drive  
Ironwood, MI 49938  
(906) 906-3600

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Supervisor and Members of the Board  
Erwin Township  
Ironwood, MI

We audited the financial statements of Erwin Township as of and for the year ended March 31, 2005, and have issued our report thereon dated November 18, 2005. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Erwin Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing the audit of the financial statements of Erwin Township for the year ended March 31, 2005, we considered the internal control structure in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.


The management of Erwin Township is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the structure to future periods are subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

However, we noted no matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We identified no items that would be considered to be a material weakness.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Members of the Board, is a matter of public record.

November 18, 2005

  
Roger J. Kolehmainen PC  
Certified Public Accountant



**Roger J. Kolehmainen CPA PC**  
1445 East Cloverland Drive  
Ironwood, MI 49938  
(906) 932-3600

**RECEIVED**  
DEPT. OF TREASURY

MANAGEMENT LETTER

DEC 05 2005

Township Supervisor and  
Members of the Board  
Erwin Township  
Ironwood, MI

**LOCAL AUDIT & FINANCE DIV.**

We have audited the general purpose financial statements of the Erwin Township, as of and for the year ended, March 31, 2005, and have issued our report dated November 18, 2005.

In planning and performing the audit of the financial statements, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing any opinion on the financial statements and not to provide assurance on the internal control structure.


During the course of our audit, certain matters have come to our attention which we feel should be addressed by management. These matters are not considered to be material weaknesses under standards established by the American Institute of Certified Public Accountants. However, they are areas in which management may improve its accounting and reporting system.

The following item that have been discussed during the course of our audit with appropriate officials of the Township.

1. The General Fund bank account balances did not agree with accounting records for the period under audit. It appears that the opening balance was incorrect to start with and numerous corrections were needed to reconcile books with the bank balances.

It would be advantageous for the Treasurer to provide copies of bank statements and cash receipts to the Clerk on a monthly basis.

Sincerely,

  
Roger J. Kolehmainen